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SUBJECT: INTERNATIONAL FINANCIAL REPORTING STANDARDS' CONFERENCE
HIGHLIGHTS NEED FOR EDUCATION

REF: ASHGABAT 0534

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On April 29, USAID organized a conference on the Introduction of International Financial Reporting Standards (IFRS) in Turkmenistan as part of its cooperative agreement with the United Nations Development Program (UNDP) and the Central Bank of Turkmenistan (CBT). Government officials from parliament, Ministry of Finance, Ministry of the Economy and Development, the chief accountants of the state banks of Turkmenistan, the Supreme Control Chamber, and the banking schools participated in this event, which focused on the issues of transferring to International Financial Reporting Standards and best practices from countries applying the international standards and was the first of its kind in Turkmenistan. Recognizing education as a critical precursor to a successful transition, the speakers highlighted the importance of accounting education at universities, the need for continuing professional education, and the value of independent professional certification programs, like the USAID-developed Certified Accounting Practitioner (CAP) and Certified International Professional Accountant (CIPA) degrees. Turkmenistan lags far behind other Central Asian countries in building the professional accounting capacity necessary to support the desired increases in foreign investment and needs to invest heavily in accounting education before a successful transition to international standards can be implemented. The conference was a positive step in raising this key issue before a variety of stakeholders. END SUMMARY

CONFERENCE BROUGHT LEADING INTERNATIONAL EXPERTS TO ASHGABAT

13. (U) Within the framework of its memorandum of understanding with the UNDP, USAID's A/CIPA project organized a conference on April 29 dedicated to the introduction of the International Financial Reporting Standards (IFRS) into the accounting system of Turkmenistan. The conference was chaired by the Deputy Chairman of the Central Bank of Turkmenistan, due to its joint program with the UNDP on introducing International Financial Reporting Standards in

Turkmenistan. The conference hosted experts from the International Accounting Standards Committee Foundation (UK), PricewaterhouseCoopers (Russia), Kazakhstan's National Bank, the University of the West of Scotland (UK), and the Kazakhstan Institute of Management, Economic and Strategic Research (KIMEP).

¶4. (U) In addition to providing an overview of the importance of International Financial Reporting Standards as a fundamental building block for diversified and sustained economic growth, presenters focused on the importance of professional development of accountants and auditors. To ensure sustainability of these efforts, universities and other higher education institutes can play an important role in preparing qualified accountants and auditors from the start. Courses that prepare students to sit for the initial level certification exams have already been introduced into 46 universities across four countries of Central Asia, but not in Turkmenistan (reftel).

TURKMENISTAN LAGS FAR BEHIND

¶5. (U) Recent public statements by the President of Turkmenistan have stressed the importance of transitioning to International Financial Reporting Standards in order to increase foreign investment. For example, on September 6, 2007, in a Cabinet of Ministers meeting, President Berdimuhamedov said, "A very important task is laying ahead of us in connection with transition to the international standards of financial reporting. This will bring transparency in conducting financial transactions, and it will improve investment opportunities for foreign investors."

¶6. (SBU) Current and previous USAID accounting reform projects in Turkmenistan have contributed greatly to the foundation of training materials, training courses and the CAP/CIPA certification programs

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in Turkmenistan, but there remains a significant unfilled demand for accountants and auditors. Students who come out of the university system are not prepared for International Financial Reporting Standards-based accounting and rely on additional accounting courses offered through the local training providers to gain this knowledge.

Furthermore, there is almost a complete lack of highly trained professors currently capable of leading higher level accounting courses in Turkmenistan. As a result, trainers must be brought in from neighboring countries to assist the local training providers in order to build their capacity.

¶7. (U) With USAID's support, a recently established working group is endeavoring to identify the challenges in the education/training sphere and specific reforms necessary to expand appropriate education opportunities. Currently, courses on International Financial Reporting Standards accounting are not taught in the official educational system of Turkmenistan but are available through local training partners of the Accounting/Certified International Professional Accounting (A/CIPA) project sponsored by USAID. To date, over 4,000 participants from private companies and state banks have attended training seminars, and as of today, more than 130 accountants are qualified to receive CAP certificates in Turkmenistan. This compares to over 4,200 CAP-qualified professional accountants in Kazakhstan, and represents a small fraction of the amount that independent experts estimate are necessary to supply a reformed market in Turkmenistan.

¶8. (SBU) COMMENT: Today, there appears to be an opportunity in Turkmenistan to jump-start accounting reforms. President Berdimuhamedov's broad call for the introduction of "international standards" in a variety of areas, coupled with specific call for International Financial Reporting Standards transition, has resulted in a change in mindsets among key decision-makers that an International Financial Reporting Standards system of accounting is both necessary and achievable. The question of "whether or not to transition to International Financial Reporting Standards" appears to have changed to one of "when will this transition take place?"

¶9. (SBU) COMMENT CONTINUED: That said, once adopted, standards need to be implemented. To accomplish that, many more trained specialists than currently exist will be needed at all levels of

government and industry. The process of developing and adopting International Financial Reporting Standards-based curricula in the various Universities, technical colleges and private sector training providers is at an elementary level. To address this, Turkmenistan needs knowledgeable persons who can develop Turkmen-language materials in addition to Russian language materials and can continue to revise and publish new materials as standards change. With a renewed interest in transitioning to an IFRS based accounting system, there is an opportunity to adopt and implement IFRS based training in the higher education system. Turkmenistan's challenge will be to find the time and funding for the instructors to expand their knowledge in this sphere and then to expedite training before the decree to transition to International Financial Reporting Standards is issued. END COMMENT.

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